

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF)	
CHESAPEAKE UTILITIES CORPORATION)	
FOR APPROVAL OF A CHANGE IN ITS)	PSC DOCKET NO. 17-1130
ENVIRONMENTAL RIDER RATE “ER” TO BE)	
EFFECTIVE DECEMBER 1, 2017)	
(FILED OCTOBER 31, 2017))	

DIRECT TESTIMONY OF
JASON R. SMITH
ON BEHALF OF THE STAFF OF THE
DELAWARE PUBLIC SERVICE COMMISSION

FEBRUARY 13, 2018

Q. Please state your name and business address.

A. My name is Jason R. Smith, and my business address is 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover, Delaware 19904.

Q. By whom are you employed and in what capacity?

A. I am employed by the Delaware Public Service Commission (the “Commission”) as a Public Utility Analyst III.

Q. How long have you been employed by the Delaware Public Service Commission?

A. I have been employed by the Commission since April of 2010.

Q. What is your educational background?

A. I graduated with an Associate of Applied Science Degree in Microcomputers and Networking from Delaware Technical and Community College in 2005. In 2008, I received a Bachelor of Science Degree in General Studies from Wilmington University. And in 2016, I graduated with a Masters of Business Administration from the same institution.

Q. Briefly describe your duties and responsibilities with the Commission.

A. Apart from being the case manager for this proceeding, I examine monthly, quarterly, and annual reports for Chesapeake Utilities Corporation – Delaware Division (“Chesapeake” or the “Company”). This includes the examination of all monthly over/under collection reports, monthly financial statements and summary trial balance reports, quarterly gas hedging reports, quarterly rate of return reports, annual supply plans, and main extension

filings. I also have typically served as the case manager for a number of various types of filings made by Chesapeake since 2012.

My other duties and responsibilities with the Commission include serving as a case manager or team member to perform reviews of various utility applications such as rate case filings, stock and debt issuances, or requests for tariff revisions. Additionally, I prepare reports and other schedules in other proceedings, make written recommendations to the Commission, and perform other related tasks as assigned. In conjunction with my work in rate case filings, I participate in the planning and execution of the required audits of regulated companies, including performing a review of supporting documentation at utilities' offices to evaluate and make recommendations regarding the financial and managerial condition of those utility companies.

Q. What is the purpose of your testimony in this proceeding?

A. I was assigned as Case Manager to review Chesapeake's Application for a change in its Environmental Rider ("ER") rate to ensure that the proposed rates are just and reasonable and that they comply with Chesapeake's tariff and the environmental remediation rider mechanism ("rider mechanism") which was approved by the Commission in PSC Order No. 4104 (the "Order") in PSC Docket No. 95-73 issued on December 19, 1995.

Q. Can you please briefly describe the rider mechanism which you are referring to?

A. In the Order, the Commission adopted the Hearing Examiner's recommendation that Chesapeake be allowed to recover reasonable, actually-incurred remediation expenses

through a rider mechanism that is adjusted on an annual basis.¹ The Commission believed that it was more efficient to collect environmental costs through the use of a rider, partly since it would remove the need to adjust base rates should there be a change in the amount of remediation costs incurred by the Company. So essentially what has been referred to as the rider mechanism is interchangeable with the process outlined on Sheet No. 45 – Rate Schedule “ER” – Environmental Rider of Chesapeake’s tariff.

Q. What type of costs is the Company allowed to recover through its ER tariff?

A. Chesapeake is allowed to recover costs associated with the investigation, testing, monitoring, soil and/or groundwater remediation, land acquisition, and legal costs. These costs could be from former manufactured gas plant (“MGP”) sites, disposal sites, or any site where material may have migrated from earlier operations or the decommissioning of a MGP. The Company is not allowed to include expenses that may result from litigation by parties who may claim personal injuries or property damages resulting from the operation or decommissioning of a MGP.

Q. Please provide a brief summary of the Company’s Application.

A. The Company has filed to recover environmental costs associated with an approximately 0.79 acre property on Budd Street in Seaford, Delaware that was formerly known as Seaford Town Gas (“Seaford Town Gas Site”). As explained in the testimony of Ms. Heidi L. Wagner, the Delaware Department of Natural Resources & Environmental Control (“DNREC”) performed a facility evaluation at the site and determined there were a number of contaminants identified that were associated with the sites former use as a

¹ See ¶ 103, *Application of Chesapeake Utilities Corporation*, Docket No. 95-73, Order 4104 (December 19, 1995).

coal gas plant until it was changed to a propane air plant sometime in 1950.² Chesapeake has entered into a Voluntary Cleanup Program (“VCP”) with DNREC. As a result of this, Chesapeake has incurred recoverable expenses relating to investigation and site preparation of the VCP for the Seaford Town Gas Site. To recover these expenses, the Company has filed to change its current ER rate level from a positive surcharge of \$0.0002 per Ccf to a positive surcharge of \$0.0004 per Ccf for all firm delivery service customers.³

Q. Please summarize Staff’s review of this Application.

A. Staff performed a review of the application and additional schedules provided by the Company for accuracy and completeness. In order to fully understand the Company’s application, Staff sent an informal discovery request for all invoices, receipts, or other relevant support for the environmental cost totals tabulated for which the Company is seeking to recover as outlined in Attachment HLW-1 of Ms. Wagner’s testimony. The Company subsequently responded and adequately provided all of the information as requested.

Q. What action has the Commission already taken on this matter?

A. The Commission has permitted Chesapeake’s proposed rate of \$0.0004 per Ccf to be placed into effect for all firm delivery service customers effective for gas usage on and after December 1, 2017, subject to refund pending further review and final decision by

² See pages 3-4, of the direct testimony of Ms. Heidi L. Wagner filed on October 31, 2017.

³ A Ccf is Centum cubic feet (100 cubic feet), the standard unit of measure for the volume of natural gas.

the Commission.⁴ In addition, the Commission ordered a form of Public Notice of the application, set a deadline for intervention, and set a date for the evidentiary hearing. Chesapeake caused the form of Public Notice to be published in The News Journal and the Delaware State News on December 11, 2017. As of the time of the submission of this testimony, only the Division of the Public Advocate (“DPA”) has sought to intervene in this proceeding, and no member of the public filed comments in regards to this matter.⁵

Q. What is the magnitude and bill impact of the change to the ER tariff as requested by the Company?

A. A typical residential heating customer using 120 Ccf of gas per month will experience an approximate \$0.01, or 0.01% increase in their total monthly bill as a result of the ER rate change. A typical residential heating customer that uses 700 Ccf per year will experience an annual increase of approximately 0.01%, or \$0.07.

Q. Did you review the schedules and calculations contained in the Application for accuracy and conformance with the Company’s existing ER tariff?

A. Yes, pursuant to 26 *Del. C.* § 304, the Company has complied with and met the filing requirements needed to allow it to implement the proposed change to its ER with an effective date of December 1, 2017. Staff has reviewed and verified the mathematical accuracy of the schedules and calculations provided in this application and determined that they are in conformance with the Company’s ER tariff currently on file with the Commission.

⁴ See *Application of Chesapeake Utilities Corporation*, Docket No. 17-1130, Order 9148 (November 30, 2017).

⁵ The DPA filed its Statutory Notice of Intervention on November 8, 2017.

Q. Does Staff have a recommendation to the Commission for the treatment of this Application?

A. Yes. Staff has reviewed the Company's Application, Ms. Wagner's testimony, including the supporting schedules. Based on that review, as well as the responses and documentation provided during discovery, Staff respectfully recommends that the Commission approve the Company's request to increase its ER rate in this proceeding from a positive surcharge of \$0.0002 per Ccf to a positive surcharge of \$0.0004 per Ccf. Staff finds that the rates are just and reasonable and are in the public interest.

Q. Do you have any additional matters to address?

A. No.

Q. Does this conclude your testimony in this proceeding?

A. Yes.